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FM AMEMBASSY LIMA
TO RUEHC/SECSTATE WASHDC PRIORITY 9358
INFO RUEHAC/AMEMBASSY ASUNCION PRIORITY 2028
RUEHBO/AMEMBASSY BOGOTA PRIORITY 5996
RUEHBR/AMEMBASSY BRASILIA PRIORITY 7933
RUEHBU/AMEMBASSY BUENOS AIRES PRIORITY 3470
RUEHCV/AMEMBASSY CARACAS PRIORITY 1224
RUEHLP/AMEMBASSY LA PAZ SEP 4978
RUEHMN/AMEMBASSY MONTEVIDEO PRIORITY 9578
RUEHQT/AMEMBASSY QUITO PRIORITY 2071
RUEHSG/AMEMBASSY SANTIAGO PRIORITY 2003
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY
RUMIAAA/USCINCSO MIAMI FL PRIORITY

C O N F I D E N T I A L LIMA 001552

SIPDIS

E.O. 12958: DECL: 09/23/2018
TAGS: [PGOV](#) [SNAR](#) [EMIN](#) [PREL](#) [PINR](#) [PE](#)
SUBJECT: IMPOVERISHED APURIMAC REGION: ON BRINK OF MINING
BOOM?

REF: A. LIMA 3075
[1](#)B. LIMA 3217

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Classified By: Amb. P Michael McKinley for reasons 1.4b and d.

¶1. (C) Summary: Apurimac ranks as Peru's second most impoverished region and is best known to the outside world for its periodic political turbulence. Two mega-mining projects could transform this predominantly agricultural region with massive, multi-billion dollar investments. The prospect of these investments in poor communities has raised concerns about socio-economic "distortions" and future social conflicts like those seen in other mining areas in Peru. Regional opposition leaders have sought to stoke and exploit these tensions to build support for future elections. Apurimac also suffers from the presence from armed groups -- allegedly Shining Path -- linked to narcotraffickers that transit the region en route from the Apurimac and Ene River Valley (VRAE) coca-production zone. End Summary.

Impoverished, Politically Turbulent Region

¶2. (SBU) Apurimac has an official poverty rate of about 69.5% and ranks as Peru's second most impoverished region after nearby Huancavelica. The region lacks significant mining revenues and as a result receives one of the smallest investment budgets per capita of any Peruvian region -- \$130 million for a population of just over 400,000 people. (By contrast, Tacna Region receives twice as much per capita for investment thanks to plentiful mining revenues.) Apurimac's woeful infrastructure reflects its poverty and isolation: the region's two main cities, Abancay and Apurimac, are connected by a rutted, dirt road that requires half a day to navigate and features dangerous hairpin curves that overlook drops of thousands of feet. Along the way, one passes through isolated villages with almost no basic services.

¶3. (SBU) Apurimac is perhaps best known by the outside world for the "Andahuaylazo" rebellion launched in January 2005 by Antauro Humala, brother of opposition leader Ollanta Humala. In the event, Antauro and some 160 of his followers captured the police station in Andahuaylas and called for then-President Alejandro Toledo to resign. Six died in ensuing clashes before the rebels surrendered. Apurimac returned to national and international headlines in December 2006 when 4,000 protestors in the regional capital Abancay demanded the Regional President's resignation for favoring Andahuaylas in an ongoing intra-city dispute over resources. Police quelled the protests but left over 80 injured. Apurimac residents have participated vigorously in various national and local protests since 2006. The region voted overwhelmingly for Ollanta Humala over Alan Garcia -- about 74% to 26% -- in the second round of the 2006 presidential election.

On the Cusp of a Mining Boom

¶4. (U) Apurimac has two mega-mining projects currently under development that could have a dramatic impact on this predominantly agrarian region. The Las Bambas copper project, operated by the Swiss company Xstrata Copper, is located on remote land in southeastern Apurimac, far from major population centers. Xstrata executives told Emboffs that the project is in the exploration phase and that they expect to earn some \$200 million in revenue per year once they begin production in 2010 or 2011. The second project, controlled by the consortium Apurimac Ferrum, would focus on mining Andahuaylas province's vast iron ore deposits. Although the consortium is just beginning to develop community relations and has not yet begun exploration, local leaders expect investors to pour in \$2.4 billion and construct a railroad to the coast to ship the metals.

Looming Social Conflicts Near Mining Sites

¶5. (C) While the mining projects would bring sorely needed resources to region, the prospect of massive investments in impoverished communities is causing fear among some locals of socioeconomic distortions -- such as village displacement, environmental degradation, an influx of outsiders, and an increase in alcohol consumption and prostitution -- and threatens to provoke social conflicts like those seen in

other parts of Peru (Refs A & B). The Mayor of Andahuaylas told Poloff that Apurimac Ferrum representatives launched its dialogue with local communities poorly, causing local leaders to dig in their heels. The mayor emphasized the conflictive nature of the local populace and said the company now has extra groundwork to do before the communities will allow them to do business. Xstrata, by contrast, has handled community relations effectively, according to a cross-section of local observers, with early and frequent communication with affected populations. A mining industry expert at the NGO Oxfam, which is often critical of international mining operations in Peru, cited Xstrata's work in Apurimac as an example of positive community outreach.

Opposition Leaders Exploit Tensions

16. (C) Regional opposition leaders have sought to stoke and exploit social tensions in Apurimac in the hopes of building support for future elections. Soon after the 2006 regional elections, key opposition figure and former Union for Peru (UPP) Congressman Michel Martinez launched a campaign to recall Regional President David Salazar. Although the recall campaign ultimately failed, one of Salazar's advisors told Poloff it distracted Salazar from focusing on his job for nearly a year. (Note: Recall campaigns and other opposition attacks have weakened Regional Presidents and local leaders across Peru. End Note.) Several peasant leaders and Martinez followers in Andahuaylas told Poloff that the Mayor and Regional President had abandoned the poor, and they threatened to launch new protests in coming weeks. Other observers noted that Nelson Palomino -- a prominent coca-grower leader that reportedly coordinates with Martinez and other leftist leaders around Peru -- has appeared recently in Apurimac to deliver anti-mining speeches and organize peasants. (Note: Michel Martinez is infamous for having invited Ollanta Humala in 2006 to run for President under the UPP banner after Humala's own party failed to qualify. Martinez reportedly expected to gain a Vice Presidential nomination in return, but Humala instead blocked him entirely from running for office. Martinez now describes Humala as a danger to Peru. End Note.)

Presence of Armed Groups

17. (C) Apurimac also suffers from the presence from armed groups -- allegedly Shining Path -- linked by most observers to narcotraffickers who transit the region en route from the VRAE coca-production zone. Several officials said that locals regularly spot small armed groups of two to five fighters circulating in Andahuaylas province. The Mayor of one small town told Poloff that a group of Shining Path came to his town to seek a meeting, but thankfully he (the mayor) was traveling. The town's police chief said that the Shining Path no longer uses force to terrorize and recruit locals, but instead relies on persuasion. Another political leader in Andahuaylas said that he had observed a group of 32 armed fighters based near the border with Ayacucho region that locals told him had plans "to seize power". He did not know who they were or who financed them.

MCKINLEY

=====CABLE ENDS=====